

Message Text

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11

ACTION NEA-06

INFO OCT-01 AF-04 ARA-10 EUR-10 EA-07 ISO-00 FEA-01 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-03

FPC-01 H-01 INR-10 INT-01 L-02 NSAE-00 NSC-07 OMB-01

PM-03 RSC-01 SAM-01 SCI-03 SP-02 SS-14 STR-01 TRSE-00

FRB-01 PA-01 USIA-04 PRS-01 DRC-01 /110 W

----- 051549

R 081255Z OCT 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2131

INFO AMEMBASSY ALGIERS

AMEMBASSY BRUSSELS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMEMBASSY LAGOS

AMEMBASSY JAKARTA

C O N F I D E N T I A L ABU DHABI 1392

KUWAIT ALSO PASS MUSCAT AND DOHA.

BEIRUT ALSO PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJECT: ABU DHABI ATTITUDES ON OIL PRICE ISSUE

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1. ABU DHABI GOVERNMENT, LIKE MOST OPEC MEMBERS, IS DIVIDED WITHIN ITSELF OVER QUESTION HOW TO DEAL WITH RISING WORLD CONCERN ABOUT HIGH PRICE OF OIL. THERE IS CAMP OF PRICE MAXIMALISTS, AMONG WHOM REPORTEDLY ARE MINPET OTAIBA AND ADNOC CHAIRMAN SHAIKH TAHNOUN, AND THERE ARE, ON OTHER HAND, MORE THOUGHTFUL ADVISORS, LIKE FONMIN SUWAIDI AND MINPET UNDERSECRETARY ISMAIL WHOSE EXPERIENCE AND VISION IS BROADER AND WHO ARE CONCERNED ABOUT DETERIORATION OF WORLD ECONOMIC CONDITIONS.

2. SHAIKH ZAYID, AS ARBITRER OF ABU DHABI OIL POLICY, SEEMS TO FALL SOMEWHERE BETWEEN THE TWO. AS MAN WHO HAS MADE REAL EFFORT TO STRETCH HIS VISION BEYOND STRICTLY LOCAL AFFAIRS, AND AS PERSON WHOSE RESPONSES ARE INSTINCTIVELY MODERATE AND THOUGHTFUL (EXCEPT PERHAPS FOR THE ARAB-ISRAEL PROBLEM) ZAYID IS NEITHER OBLIVIOUS TO NOR UNCONCERNED WITH THE ARGUMENT THAT ABU DHABI'S INTERESTS IN THE LONG RUN ARE NOT SERVED BY WORLD ECONOMIC CRISIS BROUGHT ON BY HIGH OIL PRICES. ON OTHER HAND, HE ALSO SHARES UNIVERSALLY HELD HISTORICAL VIEW HERE THAT OIL RESOURCE IS ONLY ASSET THIS OTHERWISE UNENDOWED STRETCH OF COASTLINE, IF THAT IT IS, UNLIKE WESTERN NATIONS

INDUSTRIAL CAPACITIES, FINITE RESOURCE, AND THAT FOR THE BRIEF (IN HISTORICAL TERMS) PERIOD IT LASTS ITS POSSESSORS ARE ENTITLED TO GET A GOOD PRICE FOR IT. WITHOUT ANY PARTICULAR LOGIC, THERE SEEMS TO BE QUITE SOLID CONSENSUS THAT HAS DEVELOPED HERE THAT PRESENT RATIO OF PRICE FOR BARREL OF OIL TO BUSHEL OF WHEAT OR POUND OF COPPER IS "MORALLY" APPROPRIATE ONE. FOR YEARS, THE SAME THINKING WOULD HAVE IT, WE HAVE VICTIMIZED BY HAVING AIR ONLY RESOURCE ABSURDLY UNDERPRICED.

3. WE ARE INCLINED TO CONCLUDE FROM THESE OBSERVATIONS THAT ZAYID AND HIS GOVERNMENT ARE NOT GOING TO ALLOW THEMSELVES TO BE PERSUADED, JAWBONED, THREATENED, OR FORCED BY MARKET CONDITIONS INTO ACCEPTING PROPOSITION THAT OIL PRODUCERS, ACTING UNILATERALLY, SHOULD LOWER PRICE OF THEIR OIL IN RELATIONSHIP TO OTHER BASIC

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COMMODITIES OR GENERAL INDEX OF IMPORTED INDUSTRIAL GOODS. SHAIKH ZAYID'S SHARP REACTION TO PRESIDENT'S DETROIT SPEECH AND SECRETARY'S UNGA COMMENTS ON OIL STEMMED FROM CONCERN, WE BELIEVE, THAT USG IS TRYING TO ACHIEVE PRECISELY THAT. WHILE MORE THOUGHTFUL AMONG ABU DHABIANS MPNHT ACCEPT ARGUMENT THAT SUDDEN QUADRUPLING OF OIL PRICES LAST YEAR WAS NOT VERY WISE WAY TO GO ABOUT REDRESSING FORMER PRICE INEQUITY, THEY WOULD NOT

GO ON TO AGREE TH CORRECTIVE ACTION SHLULD NOW BE TAKEN
TO LO PRICES, WITHOUT SOME COMMENSURATE LOWERING OF
PRICE OESCOMMODITIES WHICH THEY MUST IMPORT.

4. NEVERTHELESS, CONFUSE ZAYID DOES WANT IF POSSIBLE TO

PLAY RESPONSIBLE ROLE IN WORLD AFFAIRS, AND ALSO BECAUSE
HE NOW FEELS NEED TO BE SOMEWHAT CLOSER IN STEP WITH
SAUDIS ON OIL POLICY, WE THINK HE IS SERIOUS IN HIS
PUBLPJ HND PRIVBGN PROFESSIONS THAT SOLUTION MUST BE
FOUND IN TERMS OF NEGOTIATIONS WITH CONSUMER NATIONS.
ZAYID SIGNIFICANTLY CHOSE TO MAKE HIS MOST RECENT STATEMENT
ALONG THESE LINES IN INTERVIEW WITH SAUDI NEWSPAPER
AL-JAZIRA (ABU DHABI 1389). WITH ITS INSTINCTIVE RE-
LUCTANCE TO GET OUT IN FRONT OF ANY ISSUE, UAE WOULD
PROBABLY NOT TAKE LEAD IN SUCH DISCUSSIONS, BUT WE
THINK IT WILL COORDINATE CLOSELY WITH SAUDIS TO SUPPORT

REASONABLE APPROACHES TO THE PROBLEM. TO BE REALISTIC,

HOWEVER, WE MUST RECOGNIZE THAT IN UAE EYES "REASONABLE

PROPOSALS" WOULD PROBABLY BE LIMITED TO JOINT PRODUCER-
CONSUMER EFFORTS TO STABILIZE PRICES OF OIL AND OTHER
COMMODITIES AGAINST FURTHER ESCALATION. WITHIN THIS
PARAMETER THEY WOULD PROBABLY GO ALONG WITH SCHEME FOR
INDEXING OIL PRICE TO THAT OF OTHER COMMODITIES AND
GOODS, AND THEY MIGHT ALSO BE PREPARED TO SUPPORT LONGER PERIOD
OF RESTRAINT IN FURTHER OPEC-INDUCED PRICE HIKES SO AS TO TEST
EFFECT OF STABLE OIL PRICES ON RATES OF INFLATION IN WESTERN ECONO-
MIES. THEY WOULD NOT, WE BELIEVE, BE RECEPTIVE TO EFFORT
TO ALTER FUNDAMENTAL OIL/IMPORTED GOODS PRICE RATIO TO
DISADVANTAGE OF PRODUCERS.

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